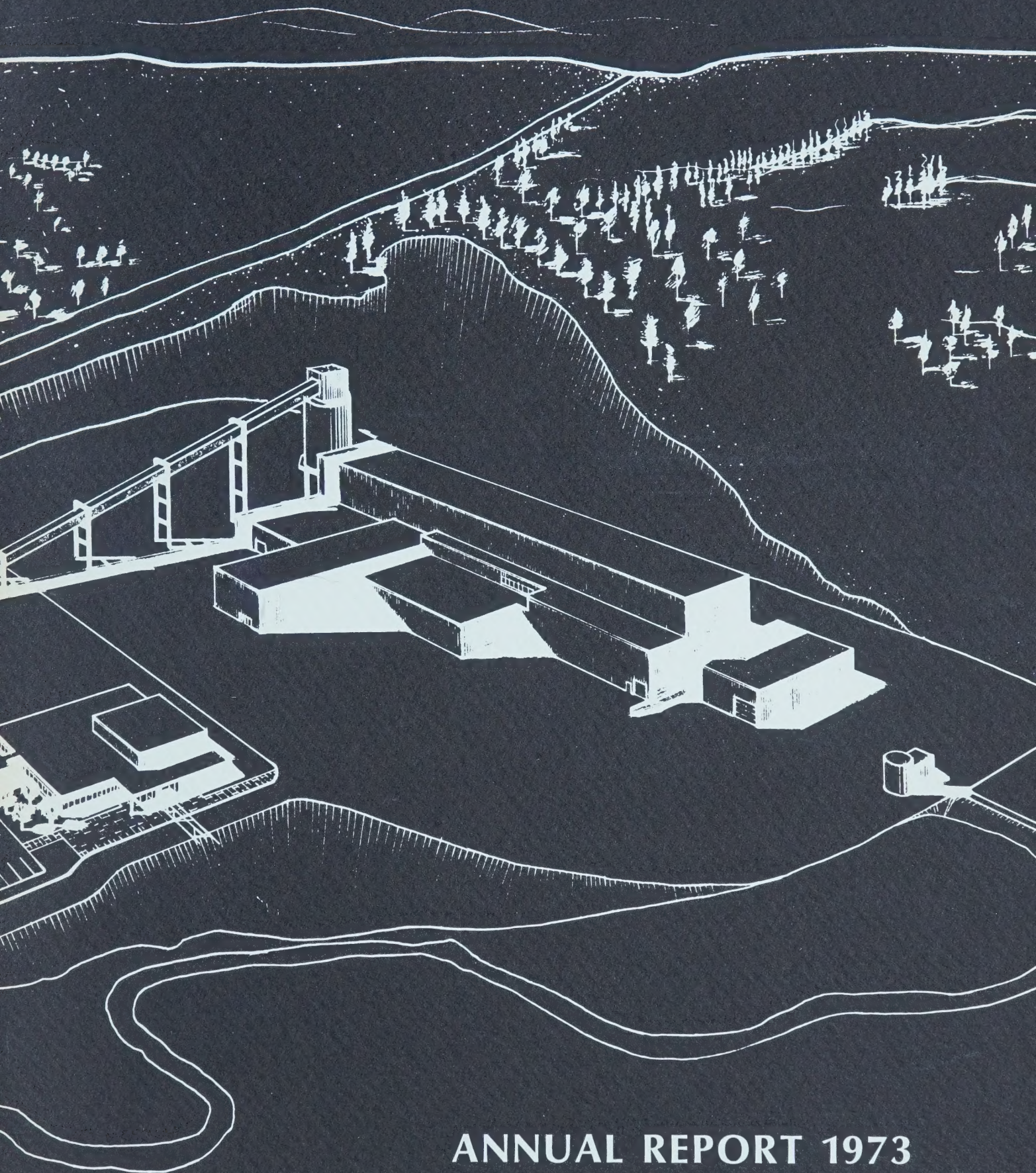


GREAT LAKES NICKEL LIMITED

AR40



ANNUAL REPORT 1973

THE COVER: This year's cover photo is a reverse reproduction of the design drawing of the Great Lakes Nickel surface plant, initial phase. Hold the front and back cover out flat to see the full layout, including office, mill.

Great Lakes Nickel Limited

OFFICERS

Norton Penturn, President
J. R. O. Walli, General Manager
G. Tiviluk, Secretary
Ruth Bond, Treasurer

DIRECTORS

Tom B. Borresen
Burke A. Brown
John D. Hudson
Torsten Jensfelt
Lionel J. McGowan
Charles E. Michener
Norton Penturn
George Tiviluk
Lars E. Vannman
J. R. O. Walli

AUDITORS

Thorne Gunn & Co.
Toronto, Ontario

LEGAL COUNSEL

Campbell, Godfrey & Lewtas
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada
Toronto Ontario and Montreal Quebec

OFFICES

Executive Office: Suite 1806, Royal Trust Tower,
Toronto-Dominion Centre, Toronto, Ontario
Mine Office: Box 367F, Thunder Bay, Ontario

REPORT OF THE DIRECTORS

Your directors are again happy to be able to report a year of substantial progress towards the achievement of your company's sole objective, which is to bring its orebody into production as quickly and as economically as possible.

During the past twelve months, the feasibility of this objective was confirmed; commitments were made for over \$4 million of engineering design work, mine planning, site preparation and equipment; policies governing the financing needed to reach the objective were established; close to \$1 million was spent on exploration and research programs aimed at early expansions of the initial operation.

These aspects of the year's progress are dealt with in greater detail in the following paragraphs and in the accompanying report of our General Manager, Mr. J. R. O. Walli.

Feasibility Study

On June 28, 1973, Boliden Aktiebolag, of Sweden, delivered a feasibility study confirming the technical and economic feasibility of producing separate copper and nickel concentrates and incorporating a recommendation for a mine and mill operation with an initial production capacity of 1.8 million tons of ore per year. Including working capital and a provision for cost escalation, the capital required to reach this level of operation was estimated at \$38 million. The study also included data relating to the feasibility of an early expansion to a production rate of four million tons per year.

As mentioned at the last annual meeting, development programs to confirm the ore reserves necessary for higher rates of production had already been commenced in April and the results are now being evaluated.



Norton Penturn,
President

Based upon Boliden's recommendation, engineering and construction planning commenced. Activities aimed at raising the necessary funds in a manner which would protect your interests to a maximum degree were also undertaken.

Construction Progress

While awaiting the day when the necessary financing is in place, and giving due consideration to the maintenance of a satisfactory degree of solvency, as much as possible of a headstart has been made towards commencement of production in 1975. All basic design features of the proposed surface facilities have been approved; orders have been placed for long-delivery items of equipment and building materials; site grading has commenced; construction of a new access road is well under way. All land necessary for initial on-site operations has now been acquired, as has most of the right-of-way for the power transmission line designed by Ontario Hydro. Progress has also been made in the planning of the mine itself and the mining method to be adopted.

Financing and Management

Money market conditions at mid-year, and subsequently, have not been conducive to a successful public offering of shares or debentures, and our efforts have therefore been directed to raising the

necessary funds from private sources, banks and institutions. Once more, Boliden has co-operated, firstly by committing interim funds towards the work described above, and secondly by accepting the right to arrange the major financing for the project.

Your attention is directed to Note 2 of the financial statements, which describes the terms and conditions we have established for the fulfillment of this undertaking by Boliden. Note 2 also outlines the agreement under which Boliden Canada Limited will provide project management and exploration and research management and will act as sales agent for Great Lakes Nickel's production. We believe the agreements described to be in your best interests, and recommend their confirmation at the forthcoming shareholders' meeting.

Financial

The following information is worthy of note:

- a) Net fixed assets almost quadrupled during the year — an increase of over \$400,000;
- d) Deferred development and administrative expenses (eligible for tax write-off once profits are realised from operations) increased by over \$2 million;
- c) When the mine is in production, the \$175,000 spent for design, surveying and acquisition of hydro transmission line right-of-way will be recovered from Ontario Hydro by rebates from power consumption charges;
- d) Despite all these expenditures during 1973, working capital at the end of the year was \$1,411,000, an increase of \$724,000 from 1972.

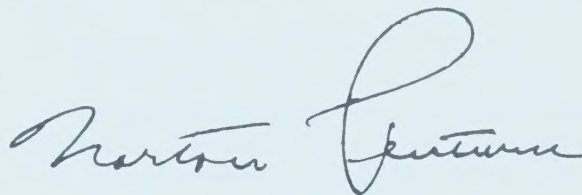
Acknowledgements

Your directors readily acknowledge that the year's progress could not have been achieved with-

out the high degree of expertise, co-operation and confidence displayed by Boliden and the dedicated management of your company. In my role as president, I am aware how much your directors have benefitted from the counsel of your company's financial advisers, particularly that of Mr. Burke A. Brown, and of its lawyers. I extend to them my sincere thanks.

We hope that you will find it possible to attend the forthcoming shareholders' meeting to be held at the Hyatt Regency Hotel in Toronto at 10:30 a.m. on April 19. If your attendance is not possible, we urge you, because of the importance of the matters to be voted on, to complete the enclosed proxy form.

On behalf of the directors



Norton Penturn, President

Toronto, Ontario

March 4, 1974

REPORT OF THE GENERAL MANAGER

THE PRESIDENT AND DIRECTORS
GREAT LAKES NICKEL LIMITED

The signing of an agreement with Boliden Aktiebolag of Sweden in August, 1972, initiated a program of underground exploration and detailed diamond drilling, coupled with detailed mineralogical, geological and metallurgical work. This work culminated in June, 1973, when Boliden presented a feasibility study and recommendations to Great Lakes Nickel.

Ore Reserves

The detailed diamond drilling and the geological studies served to define the ore reserves and the characteristics of the mineralisation within a block in the upper western part of the orebody. The mineable and potential ore reserves established could support a production rate of 2.5 million tons of ore per annum. The detailed studies confirmed 80% of the earlier indicated ore reserves and 80% and 90% of the copper and nickel content, respectively. The confidence level of the estimates and the possibility of mining an average grade of up to 0.41% copper and 0.22% nickel is satisfactory. Additional detailed work required to establish the base to support an increased production rate has now been completed.

Metallurgical Studies

The metallurgical test work both in Canada and in Sweden has proven that the ore is suitable for the application of the type of primary autogenous and secondary pebble grinding developed and proven by Boliden over the past fifteen years.



J. R. O. Walli,
General Manager

The pilot plant run on Great Lakes Nickel ore was completed at Boliden in April 1973. It demonstrated that high grade copper concentrates with low nickel content and nickel concentrates with a favourable nickel-copper ratio could be produced. The pilot plant run, together with other metallurgical studies, produced all the pertinent details required to design the initial operating flow sheet.

Plant and Mine Studies

The initial processing plant was conceptually designed and costed as part of the feasibility study. Similarly, the mining method for the initial production was laid out, including a truck haulage system to a surface primary crusher. Detailed capital and operating costs were developed for the initial project and preliminary costs were estimated for two alternatives for early expansion.

Feasibility Study, Conclusion and Recommendation

The conceptual studies, detailed planning and cost estimates have shown the applicability of the concept outlined by Boliden in mid-1972 to a mine and mill with an initial capacity of 1.8 million tons of ore per year, designed to give low operating costs and facilitate expansions. The capital cost of the

initial mine and mill was estimated at \$38 million, including escalation and working capital.

Boliden recommended that Great Lakes Nickel proceed with the development and construction. Boliden further recommended that an extended exploration program be immediately undertaken to establish the base for production increases.

The Initial Plant

The decision was made to adopt the recommendation of Boliden and proceed with the design and construction, subject to appropriate financing. Although major financing has not yet been arranged, funds for direct work on the project have been made available from the treasury and by Boliden under the terms of its supplemental agreement with Great Lakes Nickel of February, 1973. To date, \$1,455,000 has been made available from these sources and work has proceeded as follows:

Engineering: On July 26, 1973, Kilborn Engineering Ltd. was awarded an engineering, procurement and construction management contract for the surface facilities. Detailed engineering has proceeded well with site plans and general layouts completed and equipment selection developed to the point where orders are ready to be placed.

Procurement: Critical supply items have been investigated and where necessary orders have been placed to meet the requirements of the construction schedule. The autogenous mills, jaw crusher, structural steel and reinforcing steel have been ordered.

Land Clearing, Road Construction: It was considered essential to proceed with the permanent

access road to the site before major construction was underway. Accordingly, land clearing and road construction was begun in late November. At present, the clearing of the 5.3-mile road from Highway 61 is complete. Road construction is progressing well with about 1.2 miles complete to grade. About 65% of the plant site has been cleared and site excavation is proceeding to provide material for the road construction.

Hydro: In April 1973, Ontario Hydro was retained to perform survey, design and engineering work for a 25-mile, 115kv power line to the property. This work is complete and Hydro is currently acquiring the necessary easements and/or rights-of-way prior to contracts being awarded for construction of the line.

Construction Schedule: Subject to the availability of interim funds and final financing, the schedule calls for construction work to be well under way by mid-summer, for completion in time to begin production by late 1975.

Extended Exploration Program

The second recommendation of Boliden in its feasibility study was for further exploration work to support expansions in plant capacity.

Accordingly, a program was undertaken and the following site work was completed within the year.

	Footage
Extension of No. 2 adit (9' x 13' at 20% decline)	1,703
Surface diamond drilling	24,085
Underground diamond drilling	41,267

The table below summarises the total exploration and development work performed on the Great Lakes Nickel property to date.

	Footage	
	1973	To Date
No. 1 Adit development (8' x 8')	—	122
No. 2 Adit development (9' x 13')	1,703	3,417
		<u>3,539</u>
Surface diamond drilling	24,085	192,550
Underground diamond drilling	79,845	85,899
		<u>278,449</u>

Properties

The properties of Great Lakes Nickel, all located in Pardee Township District of Thunder Bay, have

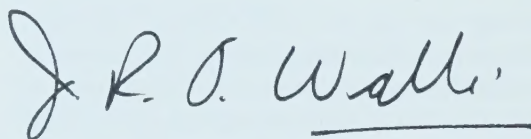
been maintained in good standing throughout the year. Twelve properties have been purchased where surface rights were required for production plans. Rights-of-way and permission have been obtained for the route of the new access road.

General

The continued spirit of co-operation between Boliden and Great Lakes Nickel, and the enthusiasm and high level of expertise which Boliden is injecting, augur well for the future success of the project.

The writer gratefully acknowledges the continuing support of the president and directors and pays tribute to the staff both of Boliden and Great Lakes Nickel who have contributed so much. The excellent work of Kilborn Engineering is also much appreciated.

Respectfully submitted,



J. R. O. Walli, B.Sc. P. Eng.
March 4, 1974

Great Lakes Nickel Limited

(INCORPORATED UNDER THE LAWS OF ONTARIO)

BALANCE SHEET — DECEMBER 31, 1973

(with comparative figures at December 31, 1972)

ASSETS

CURRENT ASSETS

Cash and short term deposits
Accounts receivable and accrued interest
Committed funds receivable from Boliden Aktiebolag
(note 2)

<u>1973</u>	<u>1972</u>
\$ 976,920	\$ 711,895
8,597	23,793
600,000	
<u>1,585,517</u>	<u>735,688</u>

FIXED ASSETS, at cost

Machinery and equipment
Less accumulated depreciation

Construction in progress
Mining properties, leases and land (note 1)

146,559	144,643
131,194	124,609
15,365	20,034
335,080	
205,379	126,246
<u>555,824</u>	<u>146,280</u>

DEVELOPMENT FUNDS (note 2)

Unexpended balance
Committed funds receivable

63,929
250,000
<u>313,929</u>

DEFERRED EXPENDITURES

Development and administrative expenditures
Hydro transmission line
Prepaid expenses

6,496,890	4,411,199
175,000	
2,259	1,927
<u>6,674,149</u>	<u>4,413,126</u>

<u>\$8,815,490</u>	<u>\$5,609,023</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities

\$ 174,191	\$ 48,347
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FUNDS PROVIDED BY BOLIDEN AKTIEBOLAG (note 2)

<u>3,518,132</u>	<u>1,000,000</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 2 and 3)

Authorized — 10,000,000 shares without par value
Issued — 3,358,123 shares (3,233,123 shares in 1972)

3,795,623	3,233,123
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CONTRIBUTED SURPLUS

<u>1,590,994</u>	<u>1,590,994</u>
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5,386,617	4,824,117
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263,441	263,441
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DEFICIT

<u>5,123,176</u>	<u>4,560,676</u>
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<u>\$8,815,490</u>	<u>\$5,609,023</u>
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Approved by the Board,

Norton Penturn, Director

J. R. O. Walli, Director

Great Lakes Nickel Limited

STATEMENT OF DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

YEAR ENDED DECEMBER 31, 1973

	Total December 31, 1972	1973 Expenditures	Total December 31, 1973
DEVELOPMENT			
Assays and ore testing	\$ 42,437	\$ 110,454	\$ 152,891
Board	(28,454)		(28,454)
Consulting fees and expenses	535,403	238,047	773,450
Contract drilling	256,698	688,371	945,069
Contract tunnelling	222,279	285,342	507,621
Depreciation	127,604	5,693	133,297
Engineering	110,746	83,630	194,376
Equipment rentals	74,774	6,095	80,869
Food	50,936	7,816	58,752
Freight		21,533	21,533
Gas and oil	66,804	3,618	70,422
Geology	8,043	74,290	82,333
Insurance, taxes and licences	38,220	5,523	43,743
Labour	632,202	22,482	654,684
Legal		4,544	4,544
Milling, smelting and refining tests	194,485	149,853	344,338
Repairs and maintenance	104,366	20,435	124,801
Supervision	194,744	38,297	233,041
Supplies	273,239	5,633	278,872
Surveys	29,189	3,649	32,838
Telephone	11,582	4,481	16,063
Travelling	42,621	573	43,194
	<u>2,987,918</u>	<u>1,780,359</u>	<u>4,768,277</u>
ADMINISTRATIVE			
Bad debts	12,600		12,600
Consulting fees and expenses	404,554	106,917	511,471
Depreciation	4,159	892	5,051
Insurance and taxes	9,184	2,169	11,353
Legal and audit	142,850	52,133	194,983
Printing and office supplies	44,598	9,711	54,309
Public relations	29,970	10,843	40,813
Rent and office services	154,570	21,137	175,707
Salaries, benefits and technical services	667,356	116,984	784,340
Sundry expenses	2,810	14,005	16,815
Telephone	37,082	3,250	40,332
Transfer agent's fees	28,208	4,904	33,112
Travelling	53,721	9,038	62,759
	<u>1,591,662</u>	<u>351,983</u>	<u>1,943,645</u>
Deduct interest, net	168,381	46,651	215,032
	<u>1,423,281</u>	<u>305,332</u>	<u>1,728,613</u>
Total development and administrative expenditures deferred	<u>\$4,411,199</u>	<u>\$2,085,691</u>	<u>\$6,496,890</u>

Great Lakes Nickel Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1973 (with comparative figures for 1972)

	1973	1972
Source of funds		
Issue of share capital	\$ 562,500	
Advances and development funds provided by Boliden Aktiebolag	2,832,052	\$1,000,000
	<u>3,394,552</u>	<u>1,000,000</u>
Application of funds		
Development and administrative expenditures	2,085,691	929,686
Deduct depreciation which does not require an outlay of funds	6,585	8,586
	<u>2,079,106</u>	<u>921,100</u>
Additions to fixed assets		
Machinery and equipment	1,916	3,057
Construction in progress	335,080	
Mining properties, leases and land	79,133	
Development funds		313,929
Hydro transmission line	175,000	
Prepaid expenses	332	677
	<u>2,670,567</u>	<u>1,238,763</u>
Increase (decrease) in working capital	723,985	(238,763)
Working capital at beginning of year	<u>687,341</u>	<u>926,104</u>
Working capital at end of year	<u>\$1,411,326</u>	<u>\$ 687,341</u>

Great Lakes Nickel Limited

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973

1. MINING PROPERTIES, LEASES AND LAND

The mining properties, mining leases, land rights and land are located in Pardee Township, Ontario and were acquired for \$140,879 cash and the issue of 1,275,000 shares of the company's capital stock valued at \$64,500.

2. AGREEMENTS WITH BOLIDEN AKTIEBOLAG

Under an agreement dated August 25, 1972 Boliden provided \$2,000,000 to carry out development work on the company's property and under an agreement dated February 1, 1973 Boliden purchased or committed itself to purchase units (described in paragraph (a) below) to provide a further \$1,500,000 used and to be used to carry out exploration and further development work. These two agreements have, in effect, been merged into an agreement dated as of February 28, 1974 whereunder:

- (a) Boliden has the right to purchase at \$1,000 per unit, units each consisting of (i) an unsecured subordinated debenture of \$1,000 principal amount maturing December 31, 1983, bearing interest at two percentage points above the prevailing bank rate but not less than 9% nor more than 11%, (ii) 90 shares and (iii) the right to purchase a further 50 shares at \$2 each before December 31, 1983, to provide further project monies toward bringing the property into production on a basis of mining and milling a minimum of 1,800,000 short tons of ore per year and to provide further exploration and research monies to enable a quick increase from initial minimum production;
- (b) Boliden has the right (by itself or in conjunction with others) to give a commitment to put the property into production on such minimum basis, the monies to achieve this end and to provide initial working capital to be provided through the purchase at \$1,000 per unit of a minimum of 16,000 units each consisting of (i) an unsecured subordinated debenture of \$1,000 principal amount maturing December 31, 1993, bearing interest at one percentage point above the prevailing bank rate but not less than 8% nor more than 10% and (ii) 90 shares, and through bank and other similar borrowings, but the maximum number of shares to be issued or optioned under paragraph (a) and this paragraph (b) is not to exceed 4,030,000 shares.
- (c) If Boliden makes the commitment described in paragraph (b) it will receive 1,000,000 shares for the said \$2,000,000 expended under the August 25, 1972 agreement; otherwise it will be entitled to certain subordinated unsecured non-interest bearing long term debt of the company, and
- (d) The company has the right at any time up to the making of the said commitment to terminate the agreement if Boliden fails to purchase debentures in cumulative amount which at any time is less than \$150,000 times the number of elapsed calendar months subsequent to June 30, 1973.

By further agreement similarly dated Boliden's Canadian subsidiary agreed (i) to provide project management services for a fee equal to 1½% of operating profits (minimum \$30,000 per year), (ii) to supply long range planning with respect to exploration and research for a further fee of 1½% of gross operating profits (minimum \$30,000 per year) but only payable if, as and when 600,000 short tons of ore have been mined and milled during a period of 60 consecutive normal working days, and (iii) to provide sales agency services for a fee of 1% of the value of concentrates produced.

The said agreements are subject to confirmation by shareholders.

3. CAPITAL STOCK

- (a) During 1973, 125,000 shares were issued for cash at \$4.50 per share.
- (b) During 1972 the authorized capital of the company was increased and changed from 5,000,000 shares of \$1 each to 10,000,000 shares without par value.
- (c) 135,000 shares are issuable and 75,000 shares have been optioned to Boliden in connection with its purchase or commitment to purchase, for \$1,500,000, units as described in note 2.
- (d) Other options to purchase shares have been granted and are outstanding as follows:
 - (i) 1,000,000 shares to 246057 Investments Limited at \$3.50 per share, exercisable on or before a day being the later of:
 - (1) August 20, 1978, or
 - (2) a day being the earlier of a day being exactly five years from the day that the present mineral property of the company is brought into production of refined metals in reasonable commercial quantities, or June 30, 1985;
 - (ii) 100,000 shares to Mr. J. R. O. Walli, the General Manager and a director of the company, at \$2.00 per share, exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 20,000 shares per annum, except to the extent otherwise provided;
 - (iii) 25,000 shares to Mr. L. J. McGowan, a director of the company, at \$2.00 per share, exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 5,000 shares per annum, except to the extent otherwise provided;
 - (iv) 50,000 shares to Mr. Penturn, as President of the company, at \$2.00 per share, exercisable before April 30, 1982;

NOTES (continued)

- (v) 75,000 shares to Mr. Burke A. Brown, a director of the company, at \$2.00 per share, exercisable before October 31, 1981;
- (vi) 225,000 shares in the aggregate to several designees of International Capital Consultants Ltd. (including that company) at \$5 per share exercisable before October 31, 1981 but if the commitment to finance the property into production is not made before May 31, 1974 then the option price becomes \$5.85 per share and the options expire on December 31, 1977; and
- (vii) 50,000 shares to McLeod, Young, Weir & Company Limited at \$2.60 per share, exercisable before October 31, 1981.

4. OTHER STATUTORY INFORMATION

	1973	1972
Remuneration of directors and senior officers, as defined by The Business Corporations Act, Ontario (excluding \$50,000 consulting fees paid to a corporation controlled by a director)	\$132,300	\$92,200
Depreciation	6,585	8,586
Interest on subordinated debentures (charged to deferred administrative expenditures)	18,123	

AUDITORS' REPORT

To the Shareholders of
Great Lakes Nickel Limited

We have examined the balance sheet of Great Lakes Nickel Limited as at December 31, 1973, and the statements of development and administrative expenditures deferred and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

Toronto, Canada
February 8, 1974
(February 28, 1974 as to note 2)

A highlight in 1973 was the listing of the company's shares on the TSE. Shown at right, left to right, are: J. R. O. Walli, general manager; G. C. MacDonald, president of MacLeod, Young, Weir & Co.; Lester Lowe, vice-president, stock list, TSE; Norton Penturn, president; Torsten Jensfelt, a director of Great Lakes and vice-president, Boliden, A.B.



Road construction, left, is well advanced at the Thunder Bay property. A 5.3-mile permanent access route will connect the site with Highway 61 from Thunder Bay.



Culvert installation is underway, right, in the access road building. A major part of the site clearing is done.

